

Summary Outline –

I. INTRODUCTION

- A. The Great Debate over the Valuation of Pension Liabilities
 - 1. Recent articles and cartoons
 - 2. Economists and actuaries
 - 3. Who's right?

- B. Brief description of the market value of liability methods
 - 1. Accrued benefit stream, and why
 - 2. Default-free discount rates, and why
 - 3. Immediate recognition treatment

- C. Brief description of the mainstream methods
 - 1. Total benefit stream - level costing methods, and why
 - 2. Long term rate of return, and why
 - 3. Amortization treatment

- D. The debate is really about *Price vs. Cost*
 - 1. Daily Market Price vs. Expected Taxpayer Cost
 - 2. Measurement attributes
 - 3. Pricing the liability as if settled in the marketplace
 - 4. Estimating the cost of services to taxpayers over a long period of time

II. GASB'S PROJECT ON POSTEMPLOYMENT BENEFITS

- A. Why is the GASB looking at pensions?
 - 1. Procedural requirements
 - 2. What has changed since the issuance of current standards?
 - 3. What's the status of the Board's activities, and how has it gotten there?

- B. Overview of the Preliminary Views of the Board
 - 1. Sole and agent employers' liability recognition—not the NPO
 - 2. Measuring sole and agent employers' liabilities
 - a. Different treatment of ad hoc COLAs
 - b. Discount rate might not be solely the long-term expected rate of return
 - c. Actuarial cost methods limited
 - 3. Sole and agent employers' expense recognition—not the ARC
 - 4. Cost-sharing employers
 - a. Liability and expense—proportionate allocation
 - b. Open questions

- C. Next steps
 - 1. Comment period—make your views heard
 - 2. Timeline for remaining issues
 - a. Additional employer reporting issues
 - b. Pension plan accounting and reporting
 - c. OPEB

III. WRAP-UP AND QUESTIONS

- A. Most important changes
- B. Commenting to GASB
- C. Questions from attendees